



## Memorandum of Support – S.5731/A.2208A

### **Protect Workers and Consumers in the Event of a Sale of Telephone Access Lines**

#### **Sponsors:**

**Prime Assembly Sponsor: Richard Brodsky (D-Westchester)**

**Co-Sponsors:** Gabryszak (D-Buffalo), Greene (D-Bronx), Maisel (D-Brooklyn), Hoyt (D-Buffalo), Cahill (D-Kingston), Espaillat (D-Manhattan), Rosenthal (D-Manhattan), Schroeder (D-Buffalo), John (D-Rochester), Jacobs (D-Brooklyn), Fields (D-Suffolk), Lupardo (D-Binghamton), Millman (D-Brooklyn), Colton (D-Brooklyn), Gunther (D-Monticello), Paulin (D-Westchester), Nolan (D-Queens), Alessi (D-Suffolk), Robinson (D-Brooklyn), Englebright (D-Suffolk), Spano (D-Westchester), Lifton (D-Ithaca), Cook (D-Queens), Kavanagh (D-Manhattan), Carrozza (D-Queens), Jaffee (D-Rockland)

**Multi-Sponsor:** Barra (R-Nassau), Benedetto (D-Bronx), Boyland (D-Brooklyn), Bradley (D-Westchester), Brennan (D-Brooklyn), Brook-Krasny (D-Brooklyn), Christensen (D-Syracuse), Conte (R-Nassau), Cymbrowitz (D-Brooklyn), Eddington (D-Suffolk), Galef (D-Westchester), Glick (D-Manhattan), Gottfried (D-Manhattan), Hooper (D-Nassau), Hyer-Spencer (D-Staten Island), Kellner (D-Manhattan), Koon (D-Fairport), Latimer (D-Westchester), Lavine (D-Nassau), Mayersohn (D-Queens), McDonough (R-Nassau), McEneny (D-Albany), Peoples (D-Buffalo), Perry (D-Brooklyn), Pheffer (D-Queens), Raia (R-Suffolk), Reilly (D-Clifton Park), Rivera J (D-Bronx), Scarborough (D-Queens), Schimel (D-Nassau), Sweeney (D-Suffolk), Titone (D-Staten Island), Townsend (R-Utica), Walker (R-Nassau), Weisenberg (D-Nassau).

**Prime Senate Sponsor: Darrel Aubertine (D-Watertown)**

**Co-Sponsors:** None as of June 1<sup>st</sup> 2009, when this bill was introduced (A2208A is expected to become the “same-as”)

#### **Bill Status:**

In the Assembly, this bill is referred to the Corporations, Authorities and Commissions Committee. This bill was enacted last year by the Assembly as well as in 2005.

In the Senate, the bill was introduced on June 1<sup>st</sup>, 2009 and is expected to be referred to the Energy and Telecommunications Committee. A2208A is expected to become the “same-as” of S.5731.

#### **What the Bill Would Do:**

This bill would require the Public Service Commission (PSC) to conduct an in-depth public interest analysis of proposed sales or

mergers by telephone or other telecommunications providers, and requires 40% of the economic benefits of such sales/mergers to be returned to ratepayers. This bill also includes provisions requiring sales/mergers to improve or at least maintain service quality, treat employees fairly, protect employee pension plans, and would require the demonstration of certain public benefits as a condition of approval.

### **Background: New England Network Sale a Failure for Consumers and Workers**

Across the country, Verizon is divesting itself of its regulated “legacy” or “copper” landline network. Last year, over CWA’s strong objections, regulators in New Hampshire, Vermont and Maine approved the sale of Verizon’s network to FairPoint communications.

Since the FairPoint sale, service quality has plummeted, cutting off telephone and broadband service for business and residential consumers. In one month in just New Hampshire alone, 1,500 customers complained of a variety of service quality issues.

FairPoint has acknowledged its problems, calling service quality “unacceptably low” since the sale. However, in CWA’s view, there is a fundamental problem: unlike Verizon, FairPoint does not have the cash flow or capital reserves to properly maintain or develop the network.

Regulators are now scrambling to get FairPoint to fix its problems. But these efforts are after the fact: they should not have approved the sale in the first instance. The horse has, in effect, left the proverbial barn. Fairpoint’s stock trades at low values and its financial condition is weak.

Verizon used a complex tax vehicle called a Reverse Morris Trust to take hundreds of millions of dollars in tax savings from the sale. Now, ironically, FairPoint needs an infusion of federal broadband stimulus funds. Without stimulus funding for network development, the company’s future and the region’s maintenance and development of high-speed internet could be bleak.

### **Background: Verizon is Proposing a Sale in 14 other States to Frontier Communications**

Verizon and Frontier just proposed a network sale of 4.8 million telephone access lines in 14 states (primarily, but not exclusively, covering the old GTE territory). CWA is closely examining this proposal, which could endanger consumers and workers in the affected areas.

Verizon is not currently indicating a plan to sell any of its legacy network in New York State. However, in 2004, Verizon was stopped from selling 2.6 million telephone access lines from Orange County to Buffalo by political pressure and an inability to find a buyer.

### **Background: The “Legacy” Telephone Network, While Shrinking, is Vital**

In some areas of New York State, such as Long Island or the Bronx, Verizon is no longer the dominant provider of telephone service. Moreover, Verizon, Frontier and other telephone are losing customers on the legacy or “landline” network.

Yet even though the number of access lines is declining by over 5% per year, millions of New Yorkers will rely on them for many years to come, particularly lower income consumers of “lifeline” services and consumers in rural areas. Telephone service quality and affordability requirements are vital for many of these consumers.

The telephone companies also provide unionized jobs with better pay and benefits than their cable competitors, helping to strengthen local economies with middle-class jobs. The broadband services and telephone services that run on the network are also vital to local economies.

### **Consumers and Workers Must be the Beneficiaries – Not the Losers – in any Network Sale, Merger or Transfer of Control**

The PSC has the authority to approve, approve with conditions, or disapprove telecommunications mergers, sales or transfers. S5731/A2208A adds common-sense requirements to ensure that consumers and workers, not just telecommunications corporations, benefit:

- ✓ Any sale must not result in worse quality of service or have detrimental effects on workers.
- ✓ Ratepayers must get at least 40% of the economic benefits that derive from the sale.
- ✓ Local economies in the areas affected must benefit.
- ✓ PSC must consider proposed alternatives to the sale.
- ✓ Any sale must not result in an entity that is overburdened by debt or financially weakened.
- ✓ PSC must consider the Attorney General’s analysis of the effects of a sale on competition.

The State Legislature should ensure that the interests of New York consumers and workers, not just telecommunications providers, are protected in any proposed network sale or merger. The PSC should not be allowed to approve a sale or merger that will endanger telephone and broadband service quality and local economies.

Verizon, Frontier and other legacy telephone service providers should not be allowed to take value out of the declining network through a sale or merger without clear and certain benefits for consumers and workers. Before approving a network sale or merger, the PSC should be required to follow common-sense requirements to protect the public’s interest.

**Pass S5731/A2208A to Protect Consumers and the Workers  
Who Are the Network**

For More Information Contact CWA District 1 at 212-344-2515